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**FISCAL IMPACT STATEMENT**

**LS 7480**

**BILL NUMBER:** HB 1362

**NOTE PREPARED:** Jan 11, 2013

**BILL AMENDED:**

**SUBJECT:** Controlled project referenda.

**FIRST AUTHOR:** Rep. Huston

**BILL STATUS:** As Introduced

**FIRST SPONSOR:**

**FUNDS AFFECTED:**     **GENERAL**  
                              **DEDICATED**  
                              **FEDERAL**

**IMPACT:** Local

**Summary of Legislation:** This bill permits a political subdivision, for purposes of holding a local public question regarding the issuance of debt for a project, to hold a special election if there is not a primary, municipal, or general election scheduled during the year the question is first eligible to be placed on the ballot.

The bill removes the requirement that the local public question include the total cost of the project. It requires that the local public question must include the total amount that will be borrowed for the project. It also requires that the local public question must include the debt service property tax rate impact.

This bill permits a political subdivision to adopt, at the same hearing at which the preliminary determination is made to issue bonds or enter into a lease, a resolution specifying that the local public question process applies to the issuance of the bonds or the entering into of the lease. The bill also makes a technical correction.

**Effective Date:** July 1, 2013.

**Explanation of State Expenditures:**

**Explanation of State Revenues:**

**Explanation of Local Expenditures:** *Special Election:* Currently, a public question may be placed on the ballot of a general election, a primary election. If there are no elections in the *first* year in which the question is eligible, it may be placed on the ballot of a special election at the taxing unit's discretion and expense. This bill would permit a special election in *any* year. All special elections would continue to be held at the taxing

unit's discretion and expense.

*Ballot Question:* The basic form of the ballot question currently exists in state statute. The taxing unit must add the unit's name, a description of the project, the estimated project cost, and the estimated tax rate increase. Instead of the total estimated cost, this bill would require the ballot question to list the amount to be borrowed.

In addition to the debt service tax rate increase over the previous year, this provision would also require the ballot question to include the debt rate impact of the project. In some cases, other debt is being paid off at the same time as the proposed new debt levies would be imposed. In these cases, the tax rate increase over the previous year's rate would not necessarily be reflective of the tax rate needed to fund the new project.

*Background Information* - Under current law, a capital project is considered a controlled project if it will cost the taxing unit more than the lesser of (1) \$2 M or (2) an amount equal to 1% of the taxing unit's total gross assessed value (if that amount is at least \$1 M).

A controlled project for a school building for kindergarten through Grade 8 is subject to a referendum if the cost is more than \$10 M. A controlled project for a school building for Grade 9 through Grade 12 is subject to a referendum if the cost is more than \$20 M. Other controlled projects with a cost that exceeds the lesser of (1) \$12 M or (2) 1% of AV (if that amount is at least \$1 M) are also subject to a referendum. In addition, a taxing unit may specify that the public question process applies even if the referendum is not required.

**Explanation of Local Revenues:**

**State Agencies Affected:** Department of Local Government Finance.

**Local Agencies Affected:** Local civil taxing units and school corporations.

**Information Sources:**

**Fiscal Analyst:** Bob Sigalow, 317-232-9859.